



Fighting Financial Fraud

- Financial literacy for Montana consumers -



Commissioner Annie M. Goodwin

COMMISSIONER'S COMMENTS

Financial fraud can threaten any financial institution or consumer. Even in Montana it is likely that our banks, credit unions and non-depository financial institutions have encountered forms of financial fraud. This problem is even more troubling when unsuspecting Montana consumers become victims of financial fraud.

The Division encourages all of our banks, credit unions and non-depository financial institutions in supporting the prevention of financial fraud and the education of Montana consumers in the

area of financial literacy. It is imperative that we remain vigilant in recognizing some of the most common schemes used to defraud Montana consumers. Recognizing financial fraud and taking the steps necessary to prevent the losses caused by its deceptive practices not only serves to protect the interests of our banks, credit unions and non-depository financial institutions, but also guards against any unnecessary harm experienced by our Montana consumers.

Although new scams are always surfacing it

is widely recognized that some of the most common financial fraud schemes include identity theft, check fraud, advance-fee scams, Nigerian letters, credit/debit/ATM card fraud, fraudulent cashier's checks, automated payment fraud, internet fraud and predatory lending.

According to Internal Revenue Service Criminal Investigation in Billings, the suspicious activities that financial institutions encountered last year include false statements within loan

Continued on Page 2

Inside this issue:

Commissioner's Comments Continued	2
Training & Meetings	4
Banking News	5
DDL & Title Loan Law Change	8
FDIC Spyware Guidance	9
Title Loan Administrative Rule Notice	9
Mortgage Broker News	10

Special points of interest:

- *Guidance on Banking Services for Money Service Businesses*
- *Banking Agencies Issue Community Reinvestment Act Rules*
- *NCUA Issues Home Equity Lending Guidance*
- *Guidance from FinCen*
- *FFIEC BSA/AML Examination Manual*

Commissioner's Comments:

Continued from Page 1

applications, inconsistencies within loan applications, submission of false documents to lenders, suspicious use of loan funds, suspicious repayment of loan funds, abuse by a caregiver, debt elimination schemes, insider abuse of loans, victims of scams and phishing attempts.

In April 2005, pursuant to the Criminal Justice Information Act of 1979 Governor Brian Schweitzer designated the Division of Banking and Financial Institutions as a Criminal Justice Agency. This designation gives the Division access to criminal justice information from state, federal and local law enforcement agencies. Access to this information aids the division's commitment to investigating fraud within financial institutions.

All of our banks, credit unions and non-depository financial institutions should participate in some of the many programs in Montana committed to promoting financial literacy. These programs include the Montana Financial Education Coalition, the Montana Council on Economic Education and the Billings Chapter for the Prevention of Elder Abuse.

The Montana Financial Education Coalition (MFEC) has made its mission to improve the personal financial knowledge and decision-making ability of Mon-

tana citizens by promoting public awareness of the need for personal financial education, and by uniting and building capacity of financial education programs. MFEC has furthered this mission by working with the Jump\$tart Coalition for Personal Financial Literacy. MFEC and Jump\$tart have partnered to educate Montana's youth in schools across the state with basic personal financial management skills.

MFEC will be holding its Second Annual Montana Financial Education Conference on November 7-8 at the Great Northern Conference Center in Helena, Montana. This conference provides an opportunity to share resources and collaborate with other financial institutions in the effort of promoting financial education to our Montana consumers. For more information about the MFEC contact Karen Dunn at Karen@mcun.org or Sue Woodrow at susan.Woodrow@mpls.frb.org. As part of this conference, the FDIC will also host a free train the trainer class for the Money Smart financial education curriculum. For more information, or to register, please contact FDIC Community Affairs Specialist Luke Reynolds at (626) 359-4115 or lureynolds@fdic.gov.

The Montana Council on Economic Education (MCEE) is concerned with improving the financial literacy of Montana citizens. Their efforts have targeted Montana's youth within schools across the state. This outreach includes a stock market game and business

challenge simulation. MCEE also provides free business and economic materials to teachers across the state as well as workshops and seminars geared to help teachers understand our economy. For more information visit their website at www.econedmontana.org.

The Billings Chapter for the Prevention of Elder Abuse (BCPEA) is dedicated to improving the lives of vulnerable seniors at risk from abuse, neglect and exploitation. The BCPEA offers a *Gatekeeper* training manual and video that is tailored for financial institutions. This training manual and video educate our financial institutions' employees on identifying and assisting elderly and disabled adults before they become victimized. For more information about this program visit their website at www.mtelderabuseprevention.org.

Website Suggestions

The division is improving our website and is interested in your suggestions. Please take a few minutes to browse our website, www.mt.gov/doa/banking, and let us know how we can improve the content and organization of the site. Please feel free to email your comments to Chris Romano at cro-mano@mt.gov.

Division Changes

The Division welcomes four new examiners.

Shelly Lee, Helena bank examiner, graduated from Montana State University—Billings in December 2002 with a degree in Finance. During her senior year at MSU—Billings she completed an internship at American Express Financial Services. After graduation she worked at Wells Fargo Bank as a teller and personal banker. Shelly is originally from Fort Benton, Montana. She currently resides in Helena with her husband Donald.

Victoria Bakken, Billings bank examiner, graduated in August 2001 from Montana State University—Billings with a degree in Finance. After graduation she worked for First Citizens Bank in Billings as a teller and personal banker. Victoria later worked at the Wells Fargo Customer Loan Servicing Center in Billings as a

payoff processing clerk and maintenance and edit processor. Victoria grew up in Culbertson, Montana.

David Gillette, Helena bank examiner, graduated from Carroll College in May 2005 with a degree in Business Administration and a minor in Economics. During college, David completed an internship at American Express Financial Advisors. David currently resides in Helena, but is originally from Miles City, Montana.

John Morgan, Credit Union Examiner, graduated in December 2004 from Carroll College with a degree in accounting. He also completed an associates degree in Criminal Justice from Great Falls University in 1997. Most recently, John had interned at the Department of Veteran Affairs at Fort Harrison (Helena, Montana). He also worked for

the Montana Department of Administration as a postal clerk for ten years. In addition, John served in the United States Air Force for 20 years. He currently resides in Helena.

The division also recognizes two employees who have been recently promoted. David Novotny has been promoted to the Helena Bank Examination Manager. David has worked as both a bank and credit union examiner with the division for the past six years. Additionally, Kris Leitheiser has been promoted to Consumer Finance Company Manager. Kris has worked for the division for over fifteen years. Most recently she has served as mortgage broker and consumer finance company examiner.



CSBS Accreditation Ceremony

On April 26, 2005 the Division of Banking and Financial Institutions was formally presented with its Certificate of Accreditation from the Conference of State Bank Supervisors (CSBS). The photo on the left shows the accreditation ceremony which was held in the office of Montana Governor Brian Schweitzer. CSBS President and CEO Neil Milner presented the Certificate of Accreditation to both Governor Schweitzer and Commissioner Annie Goodwin.

*Photo: (From Left to Right)
Governor Brian Schweitzer, CSBS President and CEO
Neil Milner and Commissioner Annie M. Goodwin*

Happy Retirement and Best Wishes to Steve Caruso

Examination Manager Steve Caruso retired on June 9, 2005 with 27 years of service at the Helena office of the Division of Banking and Financial Institutions. Many of you know Steve from his work as a bank examiner with the division. He later

was promoted to examination manager as he oversaw the planning, scheduling, directing, and coordinating of bank examinations. As an examination manager, Steve was instrumental in the training of our bank examiners. His experience and knowl-

edge will be missed by everyone. The division appreciates all his hard work and dedication and wishes him a long and happy retirement.

Training and Meetings

May

Staff Attorney Mark Prichard, Consumer Finance Manager Kris Leitheiser, Consumer Finance Examiners Gary Mariegard and Vikki Gredyk and Mortgage Broker Examiner Patricia Doherty attended the NACCA Examiner School in Fort Lauderdale, Florida.

June

The Division Consumer Finance Staff hosted the 2005 Multi-State Roundtable of Northwest Consumer Finance Regulators in Helena. Credit Union Examination Manager John Ross attended the NASCUS Examiner School in Princeton, New Jersey. Deputy Commissioner Chris Olson and Credit Union Examination Manager John Ross attended a NASCUS Regional Meeting in Las Vegas. Mortgage Broker Examiner Patricia Doherty attended a CSBS Mortgage Broker Task Force meeting in Washington, D.C. Assistant Bank Examiner Shannon Gardner attended a FFIEC Financial Crimes Seminar in Arlington, Virginia.

July

Mortgage Broker Examiner Patricia Doherty attended a CSBS Mortgage Broker Task Force meeting in Washington, D.C. Examination Manager Darryl Redman attended a Graduate Trust School in Chicago, Illinois. Bank Examiner Kelly Bjornstad attended the Graduate School of Banking in Colorado. Credit Union Examination Manager John Ross attended NCUA Training in Phoenix, Arizona. Credit Union Examination Manager John Ross and Credit Union Examiner Kelly Bjornstad attended a NASCUS Annual School in Princeton, New Jersey. Commissioner Annie Goodwin attended the Montana Independent Bankers Annual Convention in Whitefish, Montana. Staff Attorney Mark Prichard, Consumer Finance Manager Kris Leitheiser and Consumer Finance Examiner Gary Mariegard attended the Montana Consumer Finance Association Annual Meeting in Whitefish, Montana. Commissioner Annie Goodwin attended the Montana Bankers Association Tri-State Conference in Coeur d'Alene, Idaho.

August

Consumer Finance Examiners Gary Mariegard and Vikki Gredyk attended a Consumer Compliance Examinations school in Dallas that was held by the Board of Governors Federal Reserve Bank. Assistant Bank Examiner Darrin Maas attended the FFIEC's Cash Flow Construction and Analysis from Federal Tax Returns course in Arlington, Virginia. Deputy Commissioner Bob Fitzsimmons attended the Western Regulators semi-annual meeting at the FDIC's San Francisco Regional Office. Commissioner Annie Goodwin attended National Credit Union Administration Regional Management meeting in Portland, Oregon. Staff Attorney Mark Prichard attended a CSBS legal seminar in San Francisco. Mortgage Broker Examiner Patricia Doherty and Consumer Finance Manager Kris Leitheiser attended the American Association of Residential Mortgage Regulators Conference in Portland, Oregon.

Banking News

Office Security

For the safety of your staff and customers, the division strongly urges you to verify the identity of any individuals representing themselves as examiners, auditors, or other workers needing access to the protected areas of your institution.

Dated Report of Condition

Montana statute requires that Call Reports be filed with the division no later than 30 days after the call. Call reports are due October 30, 2005 for the September 30 call date. Since the division does not require original signatures on page 1 of the report, banks should ensure that original signatures for each Call Report are kept on file at the bank.

Branch Approvals

- West One Bank
Kalispell, Montana
- Little Horn State Bank
Laurel, Montana
- Stockman Bank of Montana
Belgrade, Montana

Dividend Declaration for Banks

A Dividend Declaration Notice is required for all banks each time a dividend is declared by the Board of Directors. Pursuant to 32-1-232, MCA, the Dividend Declaration Notice must be sub-

mitted to the division within 10 days of declaration.

Banking Board Appointments

Montana Governor Brian Schweitzer has made four appointments to the state banking board. These appointments include John King from Three Rivers Bank (Kalispell), Jon Redlin from Stockman Bank of Montana (Sidney) as well public members Evelyn Casterline of Vida and Carolyn Colman of West Yellowstone.

De Novo Bank Hearings

On September 27, 2005, the Montana State Banking Board approved the De Novo Application of Eagle Bank in Polson, Montana. On the same date, the State Banking Board also approved the De Novo Application of Beartooth Bank in Billings, Montana. The board's approval is contingent upon the banks meeting minimum conditions, including specified capital levels and FDIC insurance. Both banks are projected to open in February, 2006.

Gift Acceptance

Employees of the division are prohibited from accepting any gift from any financial institution supervised by the division. Please be advised that this includes meals.

Bank Directors Seminar

The Conference of State Bank Supervisors (CSBS) will be holding a Bank Directors Seminar from October 2-4, 2005 in Coeur d'Alene, Idaho. This CSBS school is held as a joint venture with the Graduate School of Banking at Colorado. Presentations include: Bank Financial Analysis; Credit Risk-A Director's Role; Financial Strategies and Working With Regulators in Good and Bad Times. Commissioner Annie Goodwin will be a speaker at the conference. For more information contact CSBS at 800-886-2727.

October 1st Effective Dates of New Montana Legislation

HB 118, introduced by the division, revise state banking laws

HB 154, introduced by the division, eliminate certain annual reporting requirements for consumer loan businesses

HB 223, repeal foreign capital depository act

SB 99, introduced by the division, revise deferred deposit lender act

SB 100, introduced by the division, revise state title loan act

SB 165, revise deferred deposit law as to rescission and arbitration

SB 274, revise coverage of mortgage broker law

To view the bill text visit the website of the Montana State Legislature at <http://www.leg.mt.gov/css/default.asp>

The effective date for these bills is October 1, 2005.

Guidance Issued on Banking Services for Money Service Businesses

The Financial Crimes Enforcement Network (FinCEN) and Federal Banking Agencies have issued interpretive guidance designed to clarify the requirements for, and to assist banking organizations in, appropriately assessing and minimizing risks posed by providing banking services to money service businesses.

The guidance contains examples that may be indicative of lower and higher risk within money service business accounts to assist banking organizations in identifying the risks posed to a money service business customer, and in reporting known or suspected violations of law or suspicious transactions relevant to possible violations of law or regulation.

In addition the guidance addresses the recurring question of the obligation of a banking organization to file a suspicious activity report on a money service business that has failed to register with FinCEN, if required to do so, or failed to obtain a license under applicable State law, if required.

The concurrently issued FinCEN advisory to money service businesses emphasizes the importance of compliance with Bank Secrecy Act regulatory requirements by money service businesses. The advisory is designed to assist money service businesses by outlining the types of information that they should have and be prepared to provide

to a banking organization in the course of opening and maintaining account relationships. The advisory also makes clear that money service businesses that fail to comply with the most basic requirements of the Bank Secrecy Act, such as registration with FinCEN if required, will be subject to regulatory and law enforcement scrutiny, and that continued noncompliance will likely result in the loss of banking services.

More information on this interpretive guidance can be found at <http://www.fincen.gov/guidance04262005.pdf>

The advisory issued to the money services businesses can be found at <http://www.fincen.gov/fincenadv04262005.pdf>

Guidance from FinCEN

The Financial Crimes Enforcement Network (FinCEN) is providing guidance concerning the completion of FinCEN Form 104, Currency Transaction Report. The guidance, in the form of frequently asked questions, specifically addressed questions on Part II of the form. For example, FinCEN said that items 26a and 27a should only be completed if foreign currency is involved in the transaction. For foreign currency, financial institutions should not convert the amount to U.S. dollars and should not indicate the currency symbol. FinCEN will not ask institutions to correct previously filed forms, but will expect them to follow the new guidance in future reports. For transactions with multiple foreign currencies, FinCEN said the amount of the

largest foreign currency transaction should be recorded with the other currencies listed in another section of the form. More information on this guidance can be found at <http://www.fincen.gov/faq08122005.pdf>

FFIEC BSA/AML

Examination Manual

The Federal Financial Institutions Examination Council (FFIEC) has released a Bank Secrecy Act/Anti-Money Laundering Examination Manual (FFIEC BSA/AML Examination Manual). The manual's release marks an important step forward in the effort to ensure the consistent application of the BSA to all banking organizations including commercial banks, savings associations, and credit unions.

The FFIEC BSA/AML Examination Manual was developed by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision (collectively referred to as the federal banking agencies) in collaboration with the Financial Crimes Enforcement Network, the delegated administrator of the BSA.

The FFIEC BSA/AML Examination Manual is available at http://www.ffiec.gov/bsa_aml_infobase/

Banking Agencies Issue Community Reinvestment Act Rules

The federal banking agencies have approved final Community Reinvestment Act (CRA) rules that are intended to reduce regulatory burden on community banks while making CRA evaluations more effective in encouraging banks to meet community development needs. The final rules are essentially the same as the agencies proposed them in March.

The final rules raise the small bank asset size threshold to assets of less than \$1 billion without regard to holding company affiliation. Accordingly, the new rules reduce data collection and reporting burden for "intermediate small banks" (banks with assets between \$250 million and less than \$1 billion) and, at the same time, encourage meaningful community development lending, investment and services by these banks.

Under the new rules:

Intermediate small banks will no longer need to collect and report CRA loan data. Nevertheless, examiners will continue to evaluate bank lending activity in the public CRA Performance Evaluations of these banks.

Intermediate small banks will be evaluated under two separately rated tests: the small bank lending test; and a flexible new community development test that includes an evaluation of community development loans, in-

vestments, and services in light of community needs and the capacity of the bank. Satisfactory ratings are required on both tests to obtain an overall satisfactory CRA rating.

In addition, for banks of any size:

The new rules expand the definition of community development to include activities that revitalize or stabilize designated disaster areas and distressed or underserved rural areas. By including designated distressed or underserved rural areas, the agencies intend to recognize and encourage community development in more rural areas. (Designated distressed or underserved rural areas are to be listed by the agencies on the Federal Financial Institutions Examination Council website, www.FFIEC.gov/cra.)

The regulations also clarify when discrimination or other illegal credit practices by a bank or its affiliate will adversely affect an evaluation of the bank's CRA performance.

The rules, which are being issued jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, become effective on September 1, 2005.

A final draft of the rules can be found at: <http://www.federalreserve.gov/boarddocs/press/bcreg/2005/20050719/attachment.pdf>

Motor Vehicle Title & Registration Changes

The Montana Motor Vehicle Division, Title and Registration Bureau began in April to use new title stock, which included a notary section format change. The Title and Registration Bureau has received questions regarding the new stock. In particular, these questions have been related to the notary section. The individual standing before the notary must complete the first two lines of the notary section which includes the date and their signature. The notary must complete the remaining portion of the notary section. If this section is not complete, as required by Section 1-5-609, MCA, the document will be returned by the Title and Registration Bureau. Any questions regarding this form should be directed to the Motor Vehicle Division Title and Registration Bureau at (406) 846-6000, ext. 0.

NCUA Issues Home Equity Lending Guidance

The National Credit Union Administration (NCUA) and other federal financial regulators have issued guidance to promote sound risk management practices for home equity lines of credit and loans. The federal agencies have found that in some cases credit risk management practices for home equity lending have not kept pace with the product's rapid growth and eased underwriting standards.

The rise in home values, coupled with low interest rates and favorable tax treatment have made home equity lines of credit and loans attractive to consumers. To date, delinquency and loss rates for home equity portfolios have been low, due at least in part to the modest repayment requirements and relaxed structures of this lending.

However, the agencies have identified risk factors that, along with vulnerability to interest rate increases, have attracted scrutiny, including:

- Interest only features that require no amortization of principal for a protracted period
- Limited or no documentation
- Higher loan-to-value (LTV) and debt-to-income ratios
- Lower credit risk scores for underwriting home equity loans
- Greater use of automated valuation models and other collateral evaluation tools for the development of appraisals and evaluations
- An increased number of transactions generated through a loan broker or other third party

The agencies note that active portfolio management is especially important for financial institutions that project or have already experienced significant growth or concentrations in higher risk products, such as high LTV, limited documentation and no documentation interest-only and third-party generated loans.

Like most other lending activities, home equity lending can be conducted in a safe and sound manner with appropriate risk management systems. This guidance outlines the agency's expectations for sound underwriting standards and effective credit risk management practices for a financial institution's home equity lending activity. This guidance is available online at <http://www.ncua.gov/letters/2005/CU/05-CU-07.doc>

New Law Effective for Deferred Deposit and Title Lenders

Effective October 1, 2005 as part of Senate Bill 165, deferred deposit lenders and title lenders must use loan agreements that contain a provision that the consumer may rescind the transaction if, by 5 p.m. of the licensee's first business day following the day that the loan was executed, the consumer provides the licensee with cash or certified funds equaling 100% of the amount loaned to the consumer. Deferred deposit and title loan licensees may not charge a consumer any fee or interest if a customer rescinds the loan within the timeframe provided above.

Additionally, except for exercising the right to rescind a loan by 5 p.m. of the licensee's first business day following the day that the loan was executed, a consumer does not have the right to rescind the loan unless the licensee agrees to the rescission.

Deferred deposit lenders and title lenders should be aware that effective October 1, 2005 Senate Bill 165 also provides that loan agreements may not contain a mandatory arbitration clause that is oppressive, unconscionable, unfair, or in substantial derogation of a consumer's rights.

A mandatory arbitration clause that complies with the applicable standards of the American Arbitration Association must be presumed to not violate this new provision of the Title Loan Act and Deferred Deposit Loan Act.

On April 8, 2005, Governor Brian Schweitzer signed Senate Bill 165 into law requiring this new rescission provision and arbitration clause relative to the Montana Title Loan Act and Deferred Deposit Loan Act. For more information about Senate Bill 165 visit the official website of the Montana State Legislature and reference the "2005 Regular Session."

FDIC Issues Guidance to Banks on Risks of “Spyware”

The Federal Deposit Insurance Corporation (FDIC) has issued guidance to financial institutions on how they can protect themselves against "spyware" – an increasingly prevalent form of software that collects personal or confidential information about a person or organization without their prior knowledge or informed consent, and reports it to a third party.

"The information collected through spyware can be used to compromise a bank's systems or conduct identity theft," said Michael J. Zamorski, Director of the FDIC's Division of Supervision and Consumer Protection. "So it is critical that banks stay vigilant about the risks involved with this malicious software, and take appropriate action so that they and their customers do not fall victim to it."

The guidance from the FDIC informs institutions of the risks associated with spyware, and recommends actions that financial institutions can take to mitigate those risks on internal computers as well as those used by customers to connect to transactional banking Web sites.

The guidance can be found on the FDIC's Web site at www.fdic.gov/news/news/financial/2005/fil6605.html.

Title Loan Administrative Rule Notice

On July 14, 2005, the division published new rules pertaining to the Title Loan Act in the Montana Administrative Register. The division has proposed ten new rules regarding the following : definitions, licensing and application requirements, ownership change, examination of title lenders, duration of loans, extensions, reports, schedule of charges, employees' character and fitness, and procedural rules for hearing and discovery proposed for adoption under the Montana Title Loan Act. The proposal notice of public hearing outlining these new rules can be found on the division's website at <http://www.mt.gov/doa/banking/> under "Administrative Rule Notices."

The division also published an amended notice on July 28, 2005 on the proposed adoption of these title loan rules.

This amended notice was filed to clarify the reasonable necessity in establishing these new rules. The amended notice can also be found on the division's website at <http://www.mt.gov/doa/banking/> under "Administrative Rule Notices."

A public hearing on the proposed adoption of these new rules was held on August 17, 2005 at 10 a. m. in Room 342 of the Park Avenue Building, 301 S. Park, Helena, Montana. Comments at this hearing focused on New Rule V titled Duration of Loans— Interest— Extensions. The division has extended the comment period until November 7, 2006. The division seeks comment regarding interest charged beyond any 30-day loan period, New Rule V (1), and automatic extensions under New Rule V (2) and (3). Comments on any other of the proposed rules will also be accepted.

Licensees By the Numbers

Banks: 65

Trust Companies: 3

Credit Unions: 12

Consumer Loan: 353

Sales Finance: 152

Title Loan: 43

Deferred Deposit Lender: 112

Escrow Businesses: 7

Mortgage Broker: 307

Loan Originator: 367

As of 9/29/2005

Mortgage Broker & Loan Originator News

Mortgage Banker Licenses

Effective October 1, 2005 mortgage bankers engaged in mortgage broker activities with respect to Montana residential mortgages must obtain mortgage broker licenses. These mortgage broker activities include brokering or table funding loans.

On April 20, 2005, Governor Brian Schweitzer signed Senate Bill 274 into law requiring mortgage bankers engaged in mortgage broker activities to obtain licensure with the Montana Division of Banking and Financial Institutions of the Department of Administration. The law amends the Montana Mortgage Broker and Loan Originator Licensing Act. Specifically, it removes an exemption that allows mortgage bankers to broker up to four Montana residential mortgage loans in a calendar year without requiring licensure.

Mortgage bankers should be aware that a physical branch or office location in Montana is a requirement for licensure. The division is currently accepting mortgage broker and loan originator licensing applications. Mortgage bankers engaged in mortgage broker activities must be licensed by October 1, 2005. Applications can be submitted online through the division's website at <http://www.mt.gov/doa/banking/mortgage.asp>

Co-Brokering Loans

The Division has determined it is unlawful for a mortgage broker licensee to co-broker a Montana mortgage loan with an unlicensed mortgage broker or loan originator or any entity not specifically exempt from the mortgage broker licensing as outlined by Section 32-9-104, MCA. The division will investigate any complaints related to unlawfully co-brokering Montana mortgage loans. Any person or entity that co-brokers a loan without a valid Montana license or co-brokers a loan in conjunction with an entity that is unlicensed is subject to fine up to \$10,000 pursuant to Section 32-9-133, MCA.

Co-brokering Montana mortgage loans is only permitted between Montana licensed mortgage broker entities or mortgage broker sole proprietors or entities otherwise exempt from the licensing requirement. Exemptions are specifically granted under Section 32-9-104, MCA. Additionally, both brokers must provide the borrower(s) with the disclosure required by Section 32-9-124, MCA. An entity seeking clarification as to their licensing requirements or exemption status must contact the division at (406) 841-2920.

Background Check Fee

Effective July 1, 2005, the Montana Department of Justice Information Technology Services Division has increased their rate for the federal fingerprint background check from \$32 to \$34 per individual.

Consumer Reports Disposal Rule

In an effort to protect the privacy of consumer information and reduce the risk of fraud and identity theft, a new federal rule is requiring businesses to take appropriate measures to dispose of sensitive information derived from consumer reports. Any business or individual who uses a consumer report for a business purpose is subject to the requirements of the Disposal Rule. The Rule requires the proper disposal of information in consumer reports and records to protect against "unauthorized access to or use of the information." The Federal Trade Commission, the nation's consumer protection agency, enforces the Disposal Rule.

Although the Disposal Rule applies to consumer reports and the information derived from consumer reports, the FTC encourages those who dispose of any records containing a consumer's personal or financial information to take similar protective measures. The Disposal Rule applies to people and both large and small organizations that use consumer reports. Among those who must comply with the Rule are mortgage brokers.

For more information including a list of reasonable measures for disposing of consumer report information visit the full copy of the FTC Business Alert at <http://www.ftc.gov/bcp/conline/pubs/alerts/disposalalrt.htm>

Division of Banking and Financial Institutions

Where Is It?

The Division of Banking and Financial Institutions home page is located at:

<http://www.mt.gov/doa/banking>

Montana Laws - http://leg.mt.gov/css/mtcode_const/laws.asp, Click on “Montana Code Annotated, 2005.”

Administrative Rules of Montana—<http://arm.sos.mt.gov/>

FDIC — www.fdic.gov

Conference of State Bank Supervisors—<http://www.csbs.org/>

Federal Reserve System Board of Governors —www.federalreserve.gov

Federal Financial Institutions Examination Council (FFIEC) — www.ffiec.gov

National Credit Union Administration — www.ncua.gov

National Association of State Credit Union Supervisors —www.nascus.org

National Association of Consumer Credit Administrators (NACCA) — www.naccaonline.org

Federal Trade Commission (FTC) — www.ftc.gov

Family Economics and Financial Education — <http://www.familyfinance.montana.edu/>

Treasury’s Office of Financial Education — <http://www.treasury.gov/offices/domestic-finance/financial-institution/fin-education/>

Jump\$tart Coalition Task Force — <http://www.jumpstart.org/bp.cfm>

Quantifying the Economic Cost of Predatory Payday Lending — <http://www.predatorylending.org/pdfs/CRLpaydaylendingstudy121803.pdf>

American Association of Residential Mortgage Regulators — <http://www.aarmr.org>

Mission Statement

The State of Montana’s Division of Banking and Financial Institutions is charged with protecting the public’s interest in the regulation of all state-chartered banks, credit unions and other financial institutions.

The Division is obligated to preserve and promote sound and constructive competition among institutions regulated through a dual federal and banking system while overseeing the security of deposits and the safe and sound conduct of the business of state-chartered banks, credit unions and financial institutions within Montana’s statewide systems...

To seek regulatory coordination, cooperation and parity among banks, credit unions and other institutions regulated, and maintain open lines of communication between banks, credit unions and state and federal regulatory agencies...

To license and examine Montana’s deferred deposit lenders, consumer loan companies, title lenders and other institutions to ensure they are operating in compliance with the applicable Montana laws...

Financial services offered by sound state institutions foster economic growth and meet the public demand for these services in Montana communities. To accomplish this mission, the Division is committed to the development of its staff through professional development and career advancement and a proactive approach to provide service to its regulated financial institutions.

DIVISION OF BANKING & FINANCIAL INSTITUTIONS
Telephone Number (406) 841-2920
Fax Number (406)-841-2930

Annie M. Goodwin, Commissioner	841-2920
Chris Olson, Deputy Commissioner	841-2920
Bob Fitzsimmons, Deputy Commissioner	841-2920
Jim Darfler, Bank Analyst	841-2920
Mark Prichard, Attorney	841-2920
John Ross, Credit Union Manager	841-2920
John Morgan, Trainee Credit Union Examiner	841-2919
Patricia Doherty, Mortgage Broker Examiner	841-2922
Karen Dimmitt, Program Specialist	841-2945
Kris Leitheiser, Consumer Finance Manager	841-2936
Gary Mariegard, Consumer Finance Examiner	841-2942
Vikki Gredyk, Consumer Finance Examiner	841-2942
Christopher Romano, Office Manager	841-2928
Donna Zollinger, Administrative Support	841-2920
Lynette Leikam, Administrative Support	841-2932

STATE BANKING BOARD

Mark Huber	US Bank	Helena
John King	Three Rivers Bank	Kalispell
Jon Redlin	Stockman Bank	Sidney
Evelyn Casterline	Public Member	Vida
Carolyn Colman	Public Member	Bozeman
Russell Ritter	Public Member	Helena

Helena Bank Examiners

David Novotny, Examination Manager	841-2938
Paul Staudohar, Senior Bank Examiner	841-2939
Louann Kicker, Senior Bank Examiner	841-2924
Noela Taylor, Bank Examiner	841-2940
Paul Reynolds, Bank Examiner	841-2937
Shannon Gardner, Assistant Bank Examiner	841-2918
Shelly Lee, Trainee Bank Examiner	841-2941
David Gillette, Trainee Bank Examiner	841-2917

Billings Examiners

Darryl Redman, Examination Manager	248-2742
Barry Smith, Training Coordinator	256-0493
Kelly Bjornstad, Bank/Credit Union/ Consumer Finance Examiner	256-0608
Darrin Maas, Bank Examiner	248-2742
Tanya Wetzel, Bank Examiner	248-2742
Mike Webb, Assistant Bank Examiner	248-2742
Ron Rusho, Bank Examiner	256-0608
Victoria Bakken, Trainee Bank Examiner	248-2742